

**LOUISIANA 8 TERREBONNE
SOUTH LOUISIANA ELECTRIC COOPERATIVE
ASSOCIATION AND SUBSIDIARY
HOUMA, LOUISIANA**

***Financial Statements and
Supplementary Information***

Year Ended December 31, 2014

*Lanaux & Felger
A Corporation of
Certified Public Accountants
Houma, Louisiana*

LOUISIANA 8 TERREBONNE
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY
HOUMA, LOUISIANA

Financial Statements and Independent Auditor's Report

Year Ended December 31, 2014

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LOUISIANA 8 TERREBONNE
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY
HOUMA, LOUISIANA

Directors, Officers, and Management

December 31, 2014

DIRECTORS

<u>NAME</u>	<u>ADDRESS</u>	<u>PRINCIPAL BUSINESS</u>
Eroy Acosta	Stephensville, Louisiana	Self-employed
Tracy V. Duval	Amelia, Louisiana	Self-employed
Roger Dale Dehart	Theriot, Louisiana	Self-employed
Larry J. Daigle	Gray, Louisiana	Produce Buyer
Alexander Doyle	Houma, Louisiana	Legal Attorney
J. D. Boudreaux	Donner, Louisiana	Retired
David Luke	Houma, Louisiana	Seafood Processor
Brian Rivet	Gheens, Louisiana	Self-employed
Terry Trahan	Bayou Black, Louisiana	Retired

ADVISOR TO THE BOARD

Lloyd Gibson

OFFICERS AND MANAGEMENT

Alexander Doyle	President
David Luke	Vice-President
Brian Rivet	Secretary
Terry Trahan	Treasurer
Joe Ticheli	General Manager

Lanaux & Felger

— CERTIFIED PUBLIC ACCOUNTANTS —
A PROFESSIONAL CORPORATION

THOMAS J. LANAUX, CPA
MARK S. FELGER, CPA

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
South Louisiana Electric Cooperative Association and Subsidiary
Houma, Louisiana

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Louisiana 8 Terrebonne South Louisiana Electric Cooperative Association (Cooperative) and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of revenue and expenses, comprehensive income, equities and margins, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Total Environmental Solutions, Inc., a wholly owned subsidiary, which statements reflect total assets of \$8,890,413 and \$9,996,414 as of December 31, 2014 and 2013, respectively, and total revenues of \$7,575,742 and \$7,539,595, respectively, for the years then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Total Environmental Solutions, Inc. as of December 31, 2014 and 2013, and for the years then ended, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used

and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Louisiana 8 Terrebonne South Louisiana Electric Cooperative Association and Subsidiary as of December 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

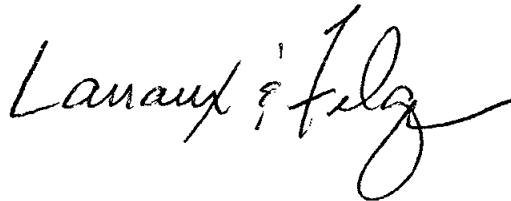
Emphasis-of-matter

As discussed in Note 20 to the financial statements of Total Environmental Solutions, Inc., the subsidiary has committed to exiting all operations in all locations. Our opinion is not modified with respect to that matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2015, on our consideration of the Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cooperative's internal control over financial reporting and compliance.

Houma, Louisiana
May 29, 2015

A handwritten signature in cursive script, appearing to read "Lanaux & Feltz", written in dark ink.

LOUISIANA 8 TERREBONNE
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION & SUBSIDIARY

Consolidated Balance Sheets

December 31, 2014 and 2013

ASSETS

	<u>2014</u>	<u>2013</u>
Utility plant:		
Electric plant in service	\$ 122,554,579	\$ 118,458,331
Construction work in progress	5,039,947	4,018,653
Water and waste water	-	12,227,635
Property held for sale	13,821,400	1,162,980
	<u>141,415,926</u>	<u>135,867,599</u>
Less accumulated depreciation	(46,831,579)	(44,391,107)
Net utility plant	<u>94,584,347</u>	<u>91,476,492</u>
Investments in associated organizations	<u>2,467,136</u>	<u>2,373,308</u>
Current assets:		
Cash and cash equivalents	1,215,210	2,252,495
Restricted cash	1,706,500	4,452,500
Total cash and cash equivalents	<u>2,921,710</u>	<u>6,704,995</u>
Accounts receivable:		
Consumers, less allowance for doubtful accounts of \$262,110 in 2014; \$264,526 in 2013	3,047,014	3,237,132
Accrued unbilled revenue	2,410,919	1,992,258
Other accounts receivable	108,924	2,291,569
Materials and supplies inventories	1,051,148	1,020,719
Prepayments	639,480	782,097
Deferred income taxes	46,000	46,000
Total current assets	<u>10,225,195</u>	<u>16,074,770</u>
Other assets:		
Deferred charges, net of amortization	72,193	126,336
Other assets	419,928	390,266
	<u>492,121</u>	<u>516,602</u>
Total assets	<u>\$ 107,768,799</u>	<u>\$ 110,441,172</u>

LOUISIANA 8 TERREBONNE
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION & SUBSIDIARY

Consolidated Balance Sheets, Continued

December 31, 2014 and 2013

LIABILITIES AND OTHER CREDITS

	<u>2014</u>	<u>2013</u>
Equities and margins:		
Memberships	\$ 84,000	\$ 83,140
Patronage capital	47,283,078	47,719,114
Other equities (deficits)	953,844	1,209,481
Accumulated other comprehensive income (loss)	<u>(5,853,100)</u>	<u>(6,439,600)</u>
Total equities and margins	<u>42,467,822</u>	<u>42,572,135</u>
Long-term obligations, net of current maturities:		
Notes and capital leases payable, less current maturities	35,327,494	38,039,052
Deferred interest payable	<u>400,820</u>	<u>653,988</u>
Long-term obligations, net	<u>35,728,314</u>	<u>38,693,040</u>
Current liabilities:		
Current maturities of long-term obligations	2,724,025	2,688,508
Lines of credit	1,049,913	1,049,913
Note payable - insurance	378,859	398,833
Accounts payable:		
Purchased power	2,558,075	2,709,878
Other	974,053	1,345,920
Consumer deposits	1,824,914	1,798,815
Accrued expenses and other liabilities	1,309,024	1,091,530
Accumulated employee benefit liability	<u>476,100</u>	<u>467,300</u>
Total current liabilities	<u>11,294,963</u>	<u>11,550,697</u>
Other liabilities:		
Deferred income taxes	663,000	613,000
Accumulated employee benefit liability	<u>17,614,700</u>	<u>17,012,300</u>
Total other liabilities	<u>18,277,700</u>	<u>17,625,300</u>
Total liabilities	<u>65,300,977</u>	<u>67,869,037</u>
Total liabilities and other credits	<u>\$ 107,768,799</u>	<u>\$ 110,441,172</u>

LOUISIANA 8 TERREBONNE
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION & SUBSIDIARY
Consolidated Statements of Revenue and Expenses
Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating revenue	\$ 57,253,863	\$ 57,220,269
Operating expenses:		
Cost of power	32,914,852	32,496,174
Distribution expense	2,522,100	1,861,704
Consumer account expense	1,669,219	1,491,433
Customer sales and service	620,772	563,604
Depreciation and amortization	3,312,842	3,181,936
Water and waste water expenses	6,137,398	5,974,613
Other operating expenses	7,256	16,266
Taxes	1,203,410	1,168,390
Maintenance:		
Distribution and transmission system	3,088,902	2,525,978
General plant	287,533	379,517
Administrative and general:		
General office salaries and benefits	1,754,911	1,755,528
Property and liability insurance	165,653	112,291
Special services	268,732	279,369
Office supplies and expense	421,621	348,649
National, state and local meetings - directors and employees	218,480	198,466
Dues and subscriptions	237,827	236,971
Water and waste water expenses	1,697,999	1,336,114
Miscellaneous	151,823	178,686
	<u>56,681,330</u>	<u>54,105,689</u>
Operating margins	572,533	3,114,580
Interest expense	1,715,357	1,801,488
Net operating margins	<u>(1,142,824)</u>	<u>1,313,092</u>
Non-operating margins:		
Interest income	65,324	65,220
Gain/(Loss) on disposition/retirement of property	(49,567)	210,598
Other non-operating income (expenses), net	132,833	63,308
	<u>148,590</u>	<u>339,126</u>
	(994,234)	1,652,218
Patronage income:		
Cooperative capital credits - CFC	176,077	151,743
Patronage credits - Co-Bank	8,455	43,313
	<u>184,532</u>	<u>195,056</u>
Net margins before income tax	<u>(809,702)</u>	<u>1,847,274</u>
Income taxes:		
Deferred tax expense (benefit)	(118,029)	(169,000)
Net margins - continuing operations	(691,673)	2,016,274
Margins from discontinued operations:		
Margins from discontinued operations	-	2,352,738
Income tax expense	-	(601,000)
Net margins	<u>\$ (691,673)</u>	<u>\$ 3,768,012</u>

LOUISIANA 8 TERREBONNE
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION & SUBSIDIARY

Consolidated Statements of Comprehensive Income

Years Ended December 31, 2014 and 2013

	2014	2013
Net Margins	\$ (691,673)	\$ 3,768,012
Other comprehensive income:		
Defined benefit postretirement benefit plan:		
Amortization of actuarial losses included in postretirement benefit expense	586,500	593,800
Comprehensive income (loss)	<u>\$ (105,173)</u>	<u>\$ 4,361,812</u>

LOUISIANA 8 TERREBONNE
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION & SUBSIDIARY

Consolidated Statements of Equities and Margins

Years Ended December 31, 2014 and 2013

	Memberships	Patronage Capital	Other Equities (Deficits)	Accumulated Other Comprehensive Income (Loss)	Total Equities and Margins
Balances at December 31, 2012	\$ 82,685	\$ 46,046,685	\$ (886,102)	\$ (7,033,400)	\$ 38,209,868
Change in memberships	455	-	-	-	455
Net margins for the year	-	1,672,429	2,095,583	-	3,768,012
Other comprehensive income:					
Amortization of actuarial losses included in postretirement benefit expense	-	-	-	593,800	593,800
Balances at December 31, 2013	83,140	47,719,114	1,209,481	(6,439,600)	42,572,135
Change in memberships	860	-	-	-	860
Net margins for the year	-	(436,036)	(255,637)	-	(691,673)
Other comprehensive income:					
Amortization of actuarial losses included in postretirement benefit expense	-	-	-	586,500	586,500
Balances at December 31, 2014	<u>\$ 84,000</u>	<u>\$ 47,283,078</u>	<u>\$ 953,844</u>	<u>\$ (5,853,100)</u>	<u>\$ 42,467,822</u>

See notes to financial statements.

LOUISIANA 8 TERREBONNE
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION & SUBSIDIARY
Consolidated Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Net margins	\$ (691,673)	\$ 3,768,012
Adjustments to reconcile net margins to net cash provided by operating activities:		
Provision for depreciation, and undepreciated costs on utility plant retirements	4,034,997	4,143,616
Provision for uncollectible accounts	215,615	231,368
Provision for amortization	54,143	52,254
(Gain) loss on sale of assets from discontinued operations	49,567	(4,135,898)
(Gain) loss on sale of assets from continuing operations	-	(210,598)
Prepayment of principal fee paid from sale of proceeds	-	1,733,397
Deferred income tax expense	50,000	-
Other items	(2,114)	12,662
Provision for postretirement benefits	1,197,700	1,183,500
Deferred income tax benefit	-	12,000
Changes in operating assets and liabilities:		
Current assets	(511,960)	(308,407)
Current liabilities	(559,344)	(46,070)
Customer deposits	26,099	(153,213)
Net cash provided by (used in) operating activities	<u>3,863,030</u>	<u>6,282,623</u>
Cash flows from investing activities:		
Construction expenditures for utility plant	(6,737,797)	(8,136,707)
Proceeds from sale of continuing operations	-	302,287
Proceeds from contributions in aid of construction	1,786,637	1,533,072
Proceeds from sale of discontinued operations	-	455,074
Net cash provided by (used in) investing activities	<u>(4,951,160)</u>	<u>(5,846,274)</u>
Cash flows for financing activities:		
Increases in membership and other equities	860	455
Increase (decrease) in short-term borrowings, net	(19,974)	74,765
Borrowings on notes payable	-	6,542,990
Retirement of long-term debt	(2,676,041)	(2,583,949)
Net cash provided by (used in) financing activities	<u>(2,695,155)</u>	<u>4,034,261</u>
Net increase (decrease) in cash and cash equivalents	(3,783,285)	4,470,610
Cash and cash equivalents at beginning of year	6,704,995	2,234,385
Cash and cash equivalents at end of year	<u>\$ 2,921,710</u>	<u>\$ 6,704,995</u>

LOUISIANA 8 TERREBONNE
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements

1) Summary of Significant Accounting Policies

The following accounting policies and financial information of the Cooperative are set forth to facilitate the understanding of data presented in the financial statements.

- a) **Organization and jurisdiction.** South Louisiana Electric Cooperative Association ("Cooperative") was chartered in 1939 to provide electric service to rural member customers. At December 31, 2014, the Cooperative had approximately 1,479 miles of line providing service to approximately 28,638 members in a five parish area of South Louisiana. The Cooperative is subject to certain rules and regulations promulgated for rural electric borrowers by the RUS and is also subject to the jurisdiction of the Louisiana Public Service Commission (LPSC). The Cooperative's accounting policies conform to generally accepted accounting principles as applied in the case of Rural Electric Cooperatives.

Total Environmental Solutions, Inc., (TESI) a wholly owned subsidiary of the Cooperative was chartered in 2000 to purchase the assets of a water and waste water utility from the Bankruptcy Court of the Middle District of Louisiana. TESI provides water and waste water services to customers in Louisiana, North Carolina, and South Carolina, and is regulated by the public service commission of these states. In 2013, TESI sold its remaining water and wastewater services in Mississippi and Pennsylvania.

- b) **Consolidation.** The consolidated financial statements include the accounts of the cooperative and its wholly owned subsidiary, Total Environmental Solutions, Inc. Intercompany transactions and balances have been eliminated in consolidation.
- c) **Utility plant and other property.** The Cooperative's utility plant-in-service and other property are stated at cost. Depreciation is computed using the straight-line method over the expected useful lines of the related assets.

Retirement of plant assets is recorded at the average cost of the units retired as determined from the continuing property records maintained by the Cooperative. A corresponding amount, adjusted for costs of removal less materials salvaged, is charged to accumulated depreciation. Gains and losses on retirements are reflected in income through future depreciation charges.

TESI's property is stated at cost, less accumulated depreciation. All property recorded is included in the determination of rates. Depreciation expense is computed principally by the straight-line method over the estimated useful lives of depreciable assets for financial statement purposes, whereas accelerated methods are used for income tax purposes. Gains and losses on asset sales or dispositions are reflected in the income statement.

LOUISIANA 8 TERREBONNE
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

- d) Investments in associated organizations. The Cooperative has investments in CFC and other cooperatives in the form of patronage capital certificates and capital term certificates.

Patronage capital certificates are recorded as assets and income in the year issued. There are no dividends or interest that accrue on these certificates. Capital term certificates are interest bearing. Interest earned on these certificates is recorded in interest income.

- e) Materials and supplies inventories. Materials and supplies inventories are stated at cost using the weighted average cost method of inventory valuation.

- f) Revenue and cost recognition. The Cooperative recognizes revenues based on services rendered to customers during the year. This includes services on cycle-billings, which are not billed at year's end.

The Cooperative's tariffs for electric service include power cost adjustment clauses under which billings to customers are adjusted to reflect changes in the cost of purchased power. In order to match power cost and related revenues, underbilled power cost to be billed to customers in subsequent periods is recognized as a current asset and as an increase in operating revenues. Overbilled power cost to be credited to consumers in subsequent periods is recognized as a current liability and as a decrease in operating revenues.

- g) Income taxes. The Cooperative is a nonprofit organization. An exemption from federal income taxes has been obtained from the Internal Revenue Service. Over 85% of the income is received from members of the Cooperative; therefore, no federal taxes are due. The Cooperative has not identified any uncertain tax positions that would jeopardize its status as tax-exempt.

The Cooperative's wholly owned subsidiary, TESI, is taxed as a corporation for income tax purposes. TESI accounts for income taxes using the liability method. Temporary differences occur between the financial reporting and tax bases of assets and liabilities. Deferred tax assets and liabilities are recorded for these differences based on enacted tax rates and laws that will be in effect when the differences are expected to reverse.

- h) Cash equivalents. For purposes of the statement of cash flows, the Cooperative considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

- i) Advertising costs. Advertising costs are charged to operations when incurred, except for direct-response advertising. The costs of direct-response advertising are capitalized and amortized over the period which future benefits are expected to be received. There were no direct-response advertising costs incurred during the year. Advertising costs incurred and charged to operations were \$13,728 and \$15,459 for the years ended December 31, 2014 and 2013, respectively.

LOUISIANA 8 TERREBONNE
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

- j) Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2) Cash and Invested Cash

Deposits with banks are insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2014, deposits with banks exceeded FDIC protection by approximately \$3,262,000.

3) Discontinued Operations

In February of 2013, TESI concluded the sale of a water and wastewater system located in Pennsylvania for \$11,800,000. A majority of the proceeds, \$8,568,513 was used to retire CoBank debt and \$1,490,516 was used to pay a prepayment fee on the CoBank debt. In addition, the buyer assumed the Pennsylvania Infrastructure Investment Authority debt of \$1,635,581.

In November of 2013, TESI concluded the sale of a water and wastewater system located in Mississippi for \$2,500,000. A majority of the proceeds, \$1,847,119 was used to retire CoBank debt and \$242,881 was used to pay a prepayment fee on the CoBank debt.

The 2013 operating results for the water and wastewater systems described above have been reported as discontinued operations.

4) Utility Plant

The following are the major classes of the utility plant as of December 31,:

	2014	2013
Distribution plant	\$ 105,649,791	\$ 101,559,182
Transmission plant	7,792,291	8,022,762
General plant	9,112,497	8,876,387
Water and waste water plant	-	12,227,635
Plant held for sale	13,821,400	1,162,980
	<u>136,375,979</u>	<u>131,848,946</u>
Construction work in progress	5,039,947	4,018,653
	<u>\$ 141,415,926</u>	<u>\$ 135,867,599</u>

LOUISIANA 8 TERREBONNE
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

Depreciation is computed using the straight-line method at the following rates:

	<u>Percent</u>
Distribution plant	3.216
Transmission plant	2.748
Water and waste water plant	2.5 – 5.0
General plant:	
Office furniture and equipment	6.0 - 10.0
Transportation	10.0 - 33.3
Structure and improvements	2.40

Depreciation expense was \$4,034,997 and \$4,143,616 for 2014 and 2013, respectively. Assets held under capital leases as of December 31, 2014 and 2013 totaled \$254,342 and \$254,342 respectively. Essentially all property has been pledged to collateralize debt. See note 10.

5) Investments in Associated Organizations

Investments in associated organizations include the following at December 31,:

	<u>2014</u>	<u>2013</u>
Patronage capital credits from CFC	\$ 361,850	\$ 347,718
Investment in capital term certificates of CFC	1,494,579	1,494,579
Other investments in cooperatives	610,707	531,011
	<u>\$ 2,467,136</u>	<u>\$ 2,373,308</u>

6) Accounts Receivable Consumers

Accounts receivable consumers at December 31, 2014 and 2013, consisted of the following:

	<u>Accounts Receivable</u>	<u>Allowance</u>	<u>Accounts Receivable Net</u>
<u>2014</u>			
Electric consumers - SLECA	\$ 2,746,061	\$ 112,010	\$ 2,634,051
Water and wastewater consumers - TESI	563,063	150,100	412,963
Total	<u>\$ 3,309,124</u>	<u>\$ 262,110</u>	<u>\$ 3,047,014</u>
<u>2013</u>			
Electric consumers - SLECA	\$ 2,943,075	\$ 111,526	\$ 2,831,549
Water and wastewater consumers - TESI	558,583	153,000	405,583
Total	<u>\$ 3,501,658</u>	<u>\$ 264,526</u>	<u>\$ 3,237,132</u>

The Company does not require collateral on its receivables; however, a deposit is collected from customers which may be used to satisfy outstanding receivables.

LOUISIANA 8 TERREBONNE
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

7) Details of Patronage Capital

	<u>2014</u>	<u>2013</u>
Assignable	\$ (1,021,882)	\$ (585,846)
Assigned	<u>48,304,960</u>	<u>48,304,960</u>
	<u>\$ 47,283,078</u>	<u>\$ 47,719,114</u>

Under the provisions of the Mortgage Agreement, until the equities and margins equal or exceed 40 percent of the total assets of the Cooperative, the return to patrons of capital contributed by them is limited generally to 25 percent of the patronage capital or margins received by the Cooperative in the prior calendar year. The equities and margins of the Cooperative represent 39 and 39 percent of the total assets at December 31, 2014 and 2013, respectively.

8) Details of Other Equities (Deficits)

	<u>2014</u>	<u>2013</u>
Retained capital credit gain	\$ 183,282	\$ 183,282
Capital gains and losses	5,986	5,986
Donated capital	6,761	6,761
Acquisition adjustment and equity in undistributed earnings (loss) of subsidiary	<u>757,815</u>	<u>1,013,452</u>
	<u>\$ 953,844</u>	<u>\$ 1,209,481</u>

9) Insurance Note Payable and Lines of Credit

TESI financed insurance premiums with short-term financing arrangements, as follows:

	<u>2014</u>	<u>2013</u>
TESI notes payable:		
Financed insurance, due in 11 monthly installments of \$36,067, including interest at 3.4%.	\$ 319,087	\$ 299,083
Financed insurance, due in 9 monthly installments from of \$9,962.	59,772	99,750
Total	<u>\$ 378,859</u>	<u>\$ 398,833</u>

LOUISIANA 8 TERREBONNE
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

At December 31, the Cooperative had lines of credit as follows:

	2014	2013
Cooperative debt:		
\$5,000,000 line of credit with CoBank, variable interest only payments (3.02% and 3.21% at December 31, 2014 and 2013, respectively), due September 30, 2015. The line of credit is unsecured.	<u>\$ 1,049,913</u>	<u>\$ 1,049,913</u>

10) Long-Term Obligations

Long-term debt as of December 31 follows:

	2014	2013
Cooperative debt:		
Rural Utilities Services, 2.55% to 5% mortgage notes, due in quarterly principal and interest installments of approximately \$702,000 through 2042.	\$31,859,079	\$33,465,272
National Rural Utilities Cooperative Finance Corporation, 2.85% to 7.3% mortgage notes, due in quarterly principal and interest installments of approximately \$225,000 through 2036.	5,400,873	5,960,866
Total Cooperative debt	<u>37,259,952</u>	<u>39,426,138</u>
TESI debt:		
CoBank 7.4% fixed interest rate due in monthly interest and principal payments of \$43,800 through May 19, 2016, secured by property and limited guarantees by SLECA.	610,014	1,068,811
Capital leases payable (12) in 48 monthly payments totaling \$5,509, maturing in July 2017 (10) and October 2017 (2), bearing interest at 1.9% collateralized by transportation equipment.	181,553	232,611
Total TESI long-term debt	<u>791,567</u>	<u>1,301,422</u>
Total long-term debt	<u>38,051,519</u>	<u>40,727,560</u>
Less: Current maturities of Cooperative debt	(2,173,484)	(2,167,530)
Less: Current maturities of TESI debt	(550,541)	(520,978)
Total current maturities of long-term debt	<u>(2,724,025)</u>	<u>(2,688,508)</u>
Total long-term debt, net of current maturities	<u>\$35,327,494</u>	<u>\$38,039,052</u>

LOUISIANA 8 TERREBONNE
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

Long-Term Obligations (continued)

Substantially all of the Cooperative's utility plant is pledged as collateral under the various mortgage notes.

The Cooperative follows the policy of capitalizing interest as a component of the cost of property, plant and equipment constructed for its own use. In 2014, total interest incurred was \$1,715,357 of which all was charged to operations. In 2013, total interest incurred was \$1,834,020, of which \$32,532 was capitalized and \$1,801,488 was charged to operations.

Scheduled maturities of long-term debt follow:

	SLECA	TESI	TOTAL
2015	\$ 2,173,484	\$ 550,541	\$ 2,724,025
2016	2,158,199	168,537	2,326,736
2017	2,090,475	72,489	2,162,964
2018	2,007,940	-	2,007,940
2019	2,044,303	-	2,044,303
2019 and thereafter	26,785,551	-	26,785,551
	<u>\$ 37,259,952</u>	<u>\$ 791,567</u>	<u>\$ 38,051,519</u>

TESI's original loan with CoBank of \$14,000,000 was scheduled to mature through 2028 and was restricted to re-finance certain debt owed. The loan repayment terms with CoBank were revised in 2013 to mature in 2016. SLECA has guaranteed a portion of TESI's loan with CoBank. Additionally, CoBank issued TESI irrevocable letters of credit in the amount of \$1,105,400 for the purpose of supporting TESI's obligation for certain consent decrees. As of December 31, 2014, these letters of credit were unused.

LOUISIANA 8 TERREBONNE
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

11) Provision for Income Taxes

The Subsidiary's provision (benefit) for income taxes consisted of the following:

	Continuing Operations	Discontinued Operations
<u>2014</u>		
Current income tax (benefit):		
Federal income tax benefit	\$ (162,956)	\$ -
State income tax benefit	(5,073)	-
Total current income tax (benefit)	(168,029)	-
Deferred income tax	50,000	-
Total provision (benefit) for income taxes	<u>\$ (118,029)</u>	<u>\$ -</u>
<u>2013</u>		
Current income tax:		
Federal income tax	\$ -	\$ 260,000
State income tax	-	160,000
Total current income tax	-	420,000
Deferred income tax	53,000	476,000
Decrease in deferred income tax valuation allowance	(222,000)	(295,000)
Total provision (benefit) for income taxes	<u>\$ (169,000)</u>	<u>\$ 601,000</u>

The Subsidiary's tax effects of temporary differences that give rise to significant portions of the deferred tax asset are as follows:

	2014	2013
Current deferred tax assets:		
Allowance for doubtful accounts		
receivable and impaired inventory	\$ 46,000	\$ 46,000
Current deferred tax assets:	<u>\$ 46,000</u>	<u>\$ 46,000</u>
Noncurrent net deferred tax liability:		
Depreciation - difference in method	\$ (663,000)	\$ (613,000)
Noncurrent deferred tax liability	<u>\$ (663,000)</u>	<u>\$ (613,000)</u>

TESI's effective tax rate differs from the federal statutory rate, primarily due to lower rates on the first \$100,000 of taxable income, certain nondeductible expenses, state income taxes/ (benefits).

LOUISIANA 8 TERREBONNE
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

12) Deferred Charges

The Subsidiary records assets that result from the regulated ratemaking process that would not be recorded under generally accepted accounting principles for non-regulated entities. TESI has recorded deferred charges for amortizable professional fees incurred relating to rate applications and proceedings to establish increased rates for water and wastewater services.

During 2006, TESI incurred fees from refinancing long-term debt, and such fees have been deferred and are being amortized over 264 months, which was the initial repayment term of the debt. In 2013, the useful life was revised after significant retirement of CoBank debt occurred as a result of the sale of Pennsylvania and Mississippi water and wastewater systems. The remaining unamortized costs are to be amortized through May, 2016 when the CoBank debt matures.

Deferred charges and accumulated amortization at December 31, 2014 and 2013 consisted of:

	2014	2013
Debt acquisition costs	\$ 248,506	\$ 248,506
Less accumulated amortization	(176,313)	(122,170)
Deferred charges, net	<u>\$ 72,193</u>	<u>\$ 126,336</u>

Amortization expense was \$54,143 and \$52,256 for 2014 and 2013, respectively.

13) Employee Retirement Benefits

NRECA Retirement and Security Program. Substantially all of the Cooperative's employees participate in the National Rural Electric Cooperative Association (NRECA) Retirement and Security Program (RS Plan). The program is a multi-employer defined benefit master pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. The plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333. The basic benefit payable upon attainment of the normal retirement age is based on the highest five-year average of the base compensation during the last ten years of participation. Normal retirement age can be 62, or the earlier of age 62 or any age with thirty years of participation, as elected by the system. Benefits derived from employee contributions are fully vested. A portion of the benefits provided by system contributions is vested, increased at 10% a year after the first year of service to 100% after five years of service or at age 55.

A unique characteristic of a multi-employer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

The actuarial cost method used to determine the Cooperative's contributions necessary to meet ERISA funding requirements is the entry age normal cost method. The Cooperative made annual contributions to the Program equal to the amounts accrued for pension expense. The Cooperative's pension contributions under this plan for 2014 and 2013 were \$1,481,475 and \$1,237,577 respectively, of which a portion was capitalized to construction work in progress based on payroll costs. This represents less than 5 percent of the total contributions made to

LOUISIANA 8 TERREBONNE
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

the RS Plan by all participating employers. There have been no significant changes that affect the comparability of 2014 and 2013 contributions.

For the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80 percent funded on January 1, 2014 and 80 percent funded on January 1, 2013 based on the PPA funding target and PPA actuarial value of assets on those dates.

Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contributions requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

SelectRE Pension Plan (401K Savings Plan). The Plan is a multi-employer defined contribution master pension plan. The Cooperative matches employee contributions up to 3% of an employee's annual base compensation. The Cooperative's pension contribution under the Savings Plan for 2014 and 2013 was \$128,878 and \$140,447 respectively, of which a portion was capitalized to construction work in progress based on payroll costs.

Post-Retirement Health Care. The Cooperative also provides certain medical and dental benefits for retired employees and directors. The Cooperative pays the cost for retired employees as follows: years of service 8 through 15 - 25%; years 16 through 20 - 50%; years 21 through 25 - 75%; and greater than 26 years of service - 100%.

The Cooperative funds these benefits on a pay-as-you-go basis. Benefits paid under the plan amounted to \$476,100 and \$467,300 for the years ended December 31, 2014 and 2013, respectively.

A summary of the components of the net periodic postretirement benefit cost for the years ended December 31, follows:

	2014	2013
Service cost - benefits earned during the period	\$ 326,100	\$ 318,000
Interest cost on APBO	761,200	739,000
Amortization of actuarial (gain)/loss	586,500	593,800
Net periodic postretirement benefit cost	<u>\$ 1,673,800</u>	<u>\$ 1,650,800</u>

LOUISIANA 8 TERREBONNE
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

The funded status of the Cooperative's postretirement plan is as follows at December 31,:

	2014	2013
Accumulated postretirement benefit obligation	\$ 18,090,800	\$ 17,479,600
Fair value of plan assets	-	-
Accumulated postretirement benefit obligation	<u>\$ 18,090,800</u>	<u>\$ 17,479,600</u>

Amounts included in accumulated other comprehensive income had not yet been recognized as components of postretirement benefit cost at December 31, follow:

	2014	2013
Actuarial loss	<u>\$ 5,853,100</u>	<u>\$ 6,439,600</u>

The assumed health care cost trend rate used in measuring the APBO was 6% for 2014 gradually decreasing each successive year until it reaches 5.0% in 2017. The assumed discount rate used in measuring the APBO was 4.5% and 4.5% for 2014 and 2013, respectively.

14) Rates and Regulation

In 1989, the Louisiana Supreme Court ruled that the LPSC has plenary authority over all rural electric cooperatives in the State. In June 2000, the Cooperative's rate schedules were filed with LPSC.

15) Contingencies

Several suits and claims arising in the ordinary course of operations are pending against TESI. The majority of these claims are covered by insurance or other defenses.

TESI is subject to consent decrees with various state and federal regulatory agencies. The decrees state that TESI will make necessary refurbishments to bring existing water and waste water systems into compliance with state and federal operating and environmental standards. It is the opinion of management that the refurbishments to meet the terms of the consent decrees can be completed within specified time limits. Costs associated with the refurbishments are expected to be capital in nature and will be capitalized as incurred.

Management of the Cooperative and TESI are not aware of any unrecorded material environmental commitments or contingent environmental liabilities. Environmental contingencies have been mitigated by testing of the water and sewer systems on a regular basis and providing the test results to the proper environmental authorities.

The Cooperative is subject to other legal proceedings. In the opinion of management, the outcome of these proceedings will not materially affect the accompanying financial statements, and accordingly, no provision for any liability has been recorded.

LOUISIANA 8 TERREBONNE
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

16) Commitments

Under its wholesale power agreement, the Cooperative is committed to purchase all of its electric power and energy requirements from Louisiana Generating, L.L.C. through March 2025. The rates paid for such purchases are subject to review annually, and are regulated by the LPSC. Future operating results could be materially affected in the event of an interruption of the supply of electric power from the company.

17) Disclosures About Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practical to estimate that value.

Cash and invested cash. For invested cash, the carrying amount is a reasonable estimate of fair value.

Short-term borrowings. The carrying amounts of lines of credit and other short-term borrowings approximate their fair value.

Long-term borrowings. The fair value of long-term debt is based on current rates at which the Cooperative could borrow funds with similar remaining maturities.

The fair value estimates presented are based on information available to management as of December 31, 2014 and 2013, respectively. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, these amounts have not been revalued for purposes of these financial statements since that date, and, therefore, current estimates of fair value may differ significantly from the amounts presented.

The estimated fair value of financial instruments, as of December 31, follows:

	(In Thousands) December 31, 2014		(In Thousands) December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and invested cash	\$ 2,922	\$ 2,922	\$ 6,705	\$ 6,705
Financial liabilities:				
Short-term borrowings	1,429	1,429	1,449	1,449
Long-term borrowings	38,452	38,923	41,381	39,778

Generally accepted accounting principles require disclosure of fair value information about financial instruments for which it is practical to estimate fair value. The aforementioned disclosures do not include estimated fair value for all non-financial instruments that are excluded

LOUISIANA 8 TERREBONNE
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

from these disclosure requirements. Further, the disclosures do not include estimated fair value of items which are not financial instruments but which represent significant value to the Company. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

18) Supplemental Disclosures of Cash Flow Information

Cash payments for interest and income taxes were as follows:

	2014	2013
Interest	\$ 1,973,670	\$ 1,874,541
CoBank prepayment fees	-	1,733,397
Total interest paid	<u>\$ 1,973,670</u>	<u>\$ 3,607,938</u>
Income taxes	<u>\$ 182,047</u>	<u>\$ 300,000</u>

Noncash Financing and Investing Activities

Noncash investing and financing activities are as follows:

	2014	2013
Retirement of plant assets, adjusted for removal costs and material salvaged	<u>\$ 1,529,108</u>	<u>\$ 1,215,569</u>
Proceeds from sale of assets used to reduce CoBank debt	<u>\$ -</u>	<u>\$ 10,415,632</u>
Assets acquired under capital leases	<u>\$ -</u>	<u>\$ 254,342</u>

19) Reclassifications

Certain amounts in the December 31, 2013 financial statements have been reclassified to conform to the December 31, 2014 presentation. These reclassifications did not have any effect on the change in net assets for the year ended December 31, 2013.

20) Subsequent Events

In preparing the financial statements, the Cooperative and TESI have evaluated events and transactions for potential recognition or disclosure through May 29, 2015 and April 22, 2015, respectively, the dates the financial statements were available to be issued.

During 2015, TESI continues its plan to dispose of assets and related operations in all locations in which it operates.

LOUISIANA 8 TERREBONNE
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY

Supplementary Information
and Supplementary Financial Reports

Year Ended December 31, 2014

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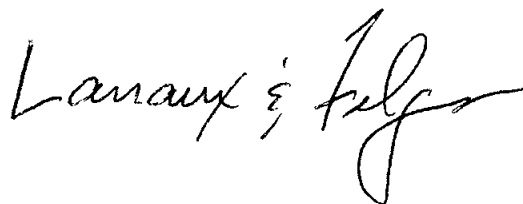
THOMAS J. LANAUX, CPA
MARK S. FELGER, CPA

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

The Board of Directors
South Louisiana Electric Cooperative Association and Subsidiary
Houma, Louisiana

We have audited the consolidated financial statements of Louisiana 8 Terrebonne South Louisiana Electric Cooperative Association and Subsidiary for the years ended December 31, 2014 and 2013, and our report thereon dated May 29, 2015, which expresses an unmodified opinion on those financial statements, appears on page 3. Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The additional consolidating information for 2014 in Schedules 1 and 2, and the Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, which insofar as it relates to Total Environmental Solutions, Inc. is based on the report of other auditors, such information is fairly stated in all material respects in relation to the basic consolidated financial statements as a whole.

Houma, Louisiana
May 29, 2015



LOUISIANA 8 TERREBONNE
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION & SUBSIDIARY

Schedule 1

Consolidating Balance Sheets

December 31, 2014

ASSETS

	<u>SLECA</u>	<u>TESI</u>	<u>Eliminations</u>	<u>Consolidated</u>
Utility plant:				
Electric plant in service	\$ 122,554,579	\$ -	\$ -	\$ 122,554,579
Construction work in progress	5,039,947	-	-	5,039,947
Water and waste water	-	-	-	-
Property held for sale	-	13,821,400	-	13,821,400
	<u>127,594,526</u>	<u>13,821,400</u>	<u>-</u>	<u>141,415,926</u>
Less accumulated depreciation	(39,794,067)	(7,037,512)	-	(46,831,579)
Net utility plant	<u>87,800,459</u>	<u>6,783,888</u>	<u>-</u>	<u>94,584,347</u>
Investment in subsidiary	4,645,607	-	(4,645,607)	-
Investments in associated organizations	2,467,136	-	-	2,467,136
Total other property and investments	<u>7,112,743</u>	<u>-</u>	<u>(4,645,607)</u>	<u>2,467,136</u>
Current assets:				
Cash and invested cash	518,876	696,334	-	1,215,210
Restricted cash	1,706,500	-	-	1,706,500
Accounts receivable:				
Consumers, less allowance for doubtful accounts	2,634,051	412,963	-	3,047,014
Accrued unbilled revenue	2,410,919	-	-	2,410,919
Other accounts receivable	102,582	6,342	-	108,924
Materials and supplies inventories	1,051,148	-	-	1,051,148
Prepayments	151,054	488,426	-	639,480
Deferred income taxes	-	46,000	-	46,000
Total current assets	<u>8,575,130</u>	<u>1,650,065</u>	<u>-</u>	<u>10,225,195</u>
Other assets:				
Notes receivable	1,148,813	-	(1,148,813)	-
Deferred charges and other assets	-	72,193	-	72,193
Other assets	35,661	384,267	-	419,928
Total other assets	<u>1,184,474</u>	<u>456,460</u>	<u>(1,148,813)</u>	<u>492,121</u>
Total assets	<u>\$ 104,672,806</u>	<u>\$ 8,890,413</u>	<u>\$ (5,794,420)</u>	<u>\$ 107,768,799</u>

LOUISIANA 8 TERREBONNE
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION & SUBSIDIARY

Schedule 1
(continued)

Consolidating Balance Sheets, Continued

December 31, 2014

LIABILITIES AND OTHER CREDITS

	<u>SLECA</u>	<u>TESI</u>	<u>Eliminations</u>	<u>Consolidated</u>
Equities and margins:				
Memberships	\$ 84,000	\$ -	\$ -	\$ 84,000
Patronage capital	47,283,078	-	-	47,283,078
Other equities (deficits)	953,844	4,645,607	(4,645,607)	953,844
Accumulated other comprehensive income (loss)	(5,853,100)	-	-	(5,853,100)
Total equities and margins	<u>42,467,822</u>	<u>4,645,607</u>	<u>(4,645,607)</u>	<u>42,467,822</u>
Long-term obligations, net of current maturities:				
Notes and capital leases payable, net	35,086,468	241,026	-	35,327,494
Deferred interest payable	400,820	-	-	400,820
Long-term obligations, net	<u>35,487,288</u>	<u>241,026</u>	<u>-</u>	<u>35,728,314</u>
Current liabilities:				
Current maturities of long-term obligations	2,173,484	550,541	-	2,724,025
Lines of credit	1,049,913	-	-	1,049,913
Other note payable	-	378,859	-	378,859
Accounts payable:				
Purchased power	2,558,075	-	-	2,558,075
Other	459,256	1,663,610	(1,148,813)	974,053
Consumer deposits	1,077,144	747,770	-	1,824,914
Accrued expenses	1,309,024	-	-	1,309,024
Accumulated employee benefit liability	476,100	-	-	476,100
Total current liabilities	<u>9,102,996</u>	<u>3,340,780</u>	<u>(1,148,813)</u>	<u>11,294,963</u>
Other liabilities:				
Deferred income taxes	-	663,000	-	663,000
Accumulated employee benefit liability	17,614,700	-	-	17,614,700
Total other liabilities	<u>17,614,700</u>	<u>663,000</u>	<u>-</u>	<u>18,277,700</u>
Total liabilities	<u>62,204,984</u>	<u>4,244,806</u>	<u>(1,148,813)</u>	<u>65,300,977</u>
Total liabilities and other credits	<u>\$ 104,672,806</u>	<u>\$ 8,890,413</u>	<u>\$ (5,794,420)</u>	<u>\$ 107,768,799</u>

LOUISIANA 8 TERREBONNE
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION & SUBSIDIARY

Schedule 2

Consolidating Statements of Revenue and Expenses

Year Ended December 31, 2014

	<u>SLECA</u>	<u>TESI</u>	<u>Eliminations</u>	<u>Consolidated</u>
Operating revenue	\$ 49,678,121	\$ 7,575,742	\$ -	\$ 57,253,863
Operating expenses:				
Cost of power	32,914,852	-	-	32,914,852
Distribution expense	2,522,100	-	-	2,522,100
Consumer account expense	1,669,219	-	-	1,669,219
Customer sales and service	620,772	-	-	620,772
Depreciation and amortization	3,312,842	-	-	3,312,842
Water and waste water expenses	-	6,137,398	-	6,137,398
Other operating expenses	7,256	-	-	7,256
Taxes	1,203,410	-	-	1,203,410
Maintenance:				
Distribution and transmission system	3,088,902	-	-	3,088,902
General plant	287,533	-	-	287,533
Administrative and general:				
General office salaries and benefits	1,754,911	-	-	1,754,911
Property and liability insurance	165,653	-	-	165,653
Special services	268,732	-	-	268,732
Office supplies and expense	421,621	-	-	421,621
National, state and local meetings - directors and employees	218,480	-	-	218,480
Dues and subscriptions	237,827	-	-	237,827
Water and waste water expenses	-	1,697,999	-	1,697,999
Miscellaneous	151,823	-	-	151,823
	<u>48,845,933</u>	<u>7,835,397</u>	<u>-</u>	<u>56,681,330</u>
Operating margins	832,188	(259,655)	-	572,533
Interest expense	<u>1,563,104</u>	<u>152,253</u>	<u>-</u>	<u>1,715,357</u>
Net operating margins	<u>(730,916)</u>	<u>(411,908)</u>	<u>-</u>	<u>(1,142,824)</u>

LOUISIANA 8 TERREBONNE
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION & SUBSIDIARY

Schedule 2
(continued)

Consolidating Statements of Revenue and Expenses, Continued

Year Ended December 31, 2014

	<u>SLECA</u>	<u>TESI</u>	<u>Eliminations</u>	<u>Consolidated</u>
Non-operating margins:				
Interest income	65,296	28	-	65,324
Gain (loss) on disposition of property	-	(49,567)	-	(49,567)
Income (loss) from equity investments	(255,637)	-	255,637	-
Other non-operating income (expenses), net	53,507	79,326	-	132,833
	<u>(136,834)</u>	<u>29,787</u>	<u>255,637</u>	<u>148,590</u>
	<u>(867,750)</u>	<u>(382,121)</u>	<u>255,637</u>	<u>(994,234)</u>
Patronage income:				
Cooperative capital credits - CFC	176,077	-	-	176,077
Patronage income - Co-Bank	-	8,455	-	8,455
	<u>176,077</u>	<u>8,455</u>	<u>-</u>	<u>184,532</u>
Net margins before income tax	<u>(691,673)</u>	<u>(373,666)</u>	<u>255,637</u>	<u>(809,702)</u>
Income taxes:				
Deferred tax expense (benefit)	-	(118,029)	-	(118,029)
Total income tax expense (benefit)	<u>-</u>	<u>(118,029)</u>	<u>-</u>	<u>(118,029)</u>
Net margins	<u>\$ (691,673)</u>	<u>\$ (255,637)</u>	<u>\$ 255,637</u>	<u>\$ (691,673)</u>

Louisiana 8 Terrebonne
South Louisiana Electric Cooperative Association & Subsidiary

Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief
Executive Officer

Year Ended December 31, 2014

Agency Head Name: Joe Ticheli

Purpose	Amount
Salary	\$ 128,195
Benefits-insurance	13,995
Benefits-retirement	48,251
Benefits-Perfect Attendance Bonus	50
Car allowance	N/A
Vehicle provided by government	N/A
Per diem	N/A
Reimbursements	N/A
Travel	753
Registration fees	1,035
Conference travel	4,683
Continuing professional education fees	N/A
Housing	N/A
Unvouchered expenses	N/A
Special meals	N/A

LOUISIANA 8 TERREBONNE
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY

Supplementary Financial Reports

Year Ended December 31, 2014

Lanaux & Felger
— CERTIFIED PUBLIC ACCOUNTANTS —
A PROFESSIONAL CORPORATION

THOMAS J. LANAUX, CPA
MARK S. FELGER, CPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

The Board of Directors
South Louisiana Electric Cooperative Association
Houma, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Louisiana 8 Terrebonne South Louisiana Electric Cooperative Association as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated, May 29, 2015.

The financial statements of the Cooperative's wholly-owned subsidiary, Total Environmental Solutions, Inc. were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Total Environmental Solutions, Inc.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Louisiana 8 Terrebonne South Louisiana Electric Cooperative Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Louisiana 8 Terrebonne South Louisiana Electric Cooperative Association's internal control. Accordingly, we do not express an opinion on the effectiveness of Louisiana 8 Terrebonne South Louisiana Electric Cooperative Association's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

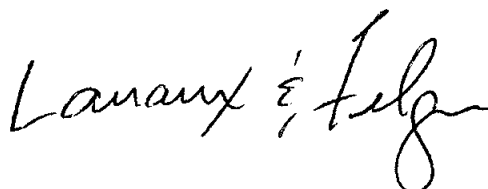
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Louisiana 8 Terrebonne South Louisiana Electric Cooperative Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Houma, Louisiana
May 29, 2015

A handwritten signature in black ink, appearing to read "Lanoux & Feltz". The signature is written in a cursive, flowing style with a large, stylized initial 'L'.

LOUISIANA 8 TERREBONNE
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2014

Section I – Summary of Auditor’s Reports

a. Financial Statements:

Type of auditor’s report issued on financial statement: unmodified.

b. Internal Control and Compliance:

Internal control over financial reporting:

- Material weakness(es) identified ___ Yes XX No
- Significant deficiency(ies) identified that are not considered to be material weakness ___ Yes XX None reported

Noncompliance material to financial statements noted ___ Yes XX No

c. Federal Awards

SLECA did not expend federal awards in excess of \$500,000 during the year ended December 31, 2014.

Section II – Financial Statement Findings

None reported for year ended December 31, 2014.

Section III – Federal Award Findings and Questioned Costs

None reported for year ended December 31, 2014.

LOUISIANA 8 TERREBONNE
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY
SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 2014

SECTION I - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

There were none reported for the year ended December 31, 2013

SECTION II - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

There were none reported for the year ended December 31, 2013.

SECTION III - MANAGEMENT LETTER

There was no management letter issued for the year ended December 31, 2013.

LOUISIANA 8 TERREBONNE
SOUTH LOUISIANA ELECTRIC COOPERATIVE ASSOCIATION AND SUBSIDIARY
MANAGEMENT'S CORRECTIVE ACTION PLAN
For the Year Ended December 31, 2014

SECTION I - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS.

None.

SECTION II - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

None.

SECTION III - MANAGEMENT LETTER

None.